

U.S.-KOREA TRADE AGREEMENT

Ohio Farmers Will Benefit

December 2010

The U.S.-Korea Trade Agreement, known as the KORUS agreement, will immediately eliminate duties on nearly two-thirds of current U.S. agricultural exports and gives U.S. exporters improved access to the Korean market for many products that have been highly protected. The U.S. International Trade Commission estimates that annual U.S. agricultural exports to Korea will increase by a minimum of \$1.9 billion upon full implementation of the agreement.

The KORUS agreement eliminates tariffs and other barriers on most agricultural products, increasing export opportunities for a range of Ohio agricultural products, including soybeans, corn, and dairy. Ohio's agricultural exports to all countries, estimated at \$2.7 billion in 2009, supported over 21,000 jobs, on and off the farm. These export sales make an important contribution to Ohio's farm economy, which had total cash receipts of \$6.8 billion in 2009.

Soybeans and Products. Soybeans are Ohio's largest source of farm cash receipts, which totaled \$1.9 billion in 2009, or 27 percent of the state's total. Among the KORUS agreement's benefits to the Ohio soybean industry are:

- The greatest potential benefit for the soybean sector is likely to come from improved access to Korea's 300,000-metric ton market for food-quality soybeans. Korea has agreed to immediately eliminate its 5-percent applied tariff on food-use soybeans. In addition, Korea will establish a duty-free tariff-rate quota starting at 10,000 metric tons for identity-preserved soybeans for food use. This quota will operate outside the current state trading entity, which has charged a reported \$250 per ton markup on soybean imports supplied to soybean curd processors.
- Soybeans imports for crushing will enter duty-free upon implementation of the agreement, removing the 1-percent applied tariff.
- Korean tariffs on imports of crude soybean oil, the majority of Korea's soybean oil imports, will decline from the current 5.4-percent tariff over 10 years. Refined oil tariff rates will decline from the current 5.4 percent in five equal annual reductions. Korea's 3-percent tariff on soybean flour and meal will immediately go to zero.

Feed Grains. Corn is the state's second largest source of farm cash receipts with sales valued at \$1.6 billion in 2009, and Ohio is the eighth ranked exporter of feed grains and products nationwide. Under the KORUS agreement:

- U.S. exports of corn for feed are guaranteed to enter at zero duty immediately. Korea is currently the third largest market for U.S. corn for feed.
- The agreement includes a new 93,774- metric ton duty-free TRQ for corn for processing that grows quickly to 393,849 metric tons by year 7, after which quantities will be unrestricted.

Dairy Products. The dairy industry provides the state's third leading source of state farm cash receipts with sales of \$728 million in 2009. The KORUS agreement will provide many benefits to the dairy industry.

- Duty-free TRQs will be established for cheese, skim/whole milk powder, food whey, and butter.
- U.S. feed whey exports, which totaled \$8 million in 2009, will gain duty-free access to the Korean market immediately upon implementation.

Hogs and Pork. The hog and pork industry accounted for cash receipts of \$415 million in 2009. Under the KORUS agreement:

- Korea's tariffs on imports of more than 90 percent of U.S. pork products will become duty free on January 1, 2016 or sooner. This includes all frozen pork products as well as some fresh and processed pork products.
- Date-certain duty-free access will enhance the competitiveness of U.S. pork compared to product from the European Union and Canada.

Selected Agricultural Product Exports For FY 2009 (Oct. 2008-Sept. 2009)		
Product	U.S. to World	Ohio to World
Soybeans and Products	\$17,709,000,000	\$1,170,000,000
Feed Grains	\$11,979,000,000	\$465,000,000
Dairy Products	\$2,335,000,000	\$41,000,000
Hogs and Pork	\$2,204,000,000	\$35,000,000
Agricultural Total	\$96,632,000,000	\$2,671,000,000

Compiled by ERS using data from Census Bureau, Commerce and NASS.

Note: All State export figures used herein are estimated on a fiscal year basis (October-September) by USDA's Economic Research Service (ERS); all State cash receipt figures are compiled by USDA's National Agricultural Statistics Service (NASS) and ERS on a calendar year basis.

For questions about the U.S.-Korea Trade Agreement and its impact on U.S. agriculture, please contact FAS Legislative and Public Affairs at (202)720-7115 or LPA@fas.usda.gov.